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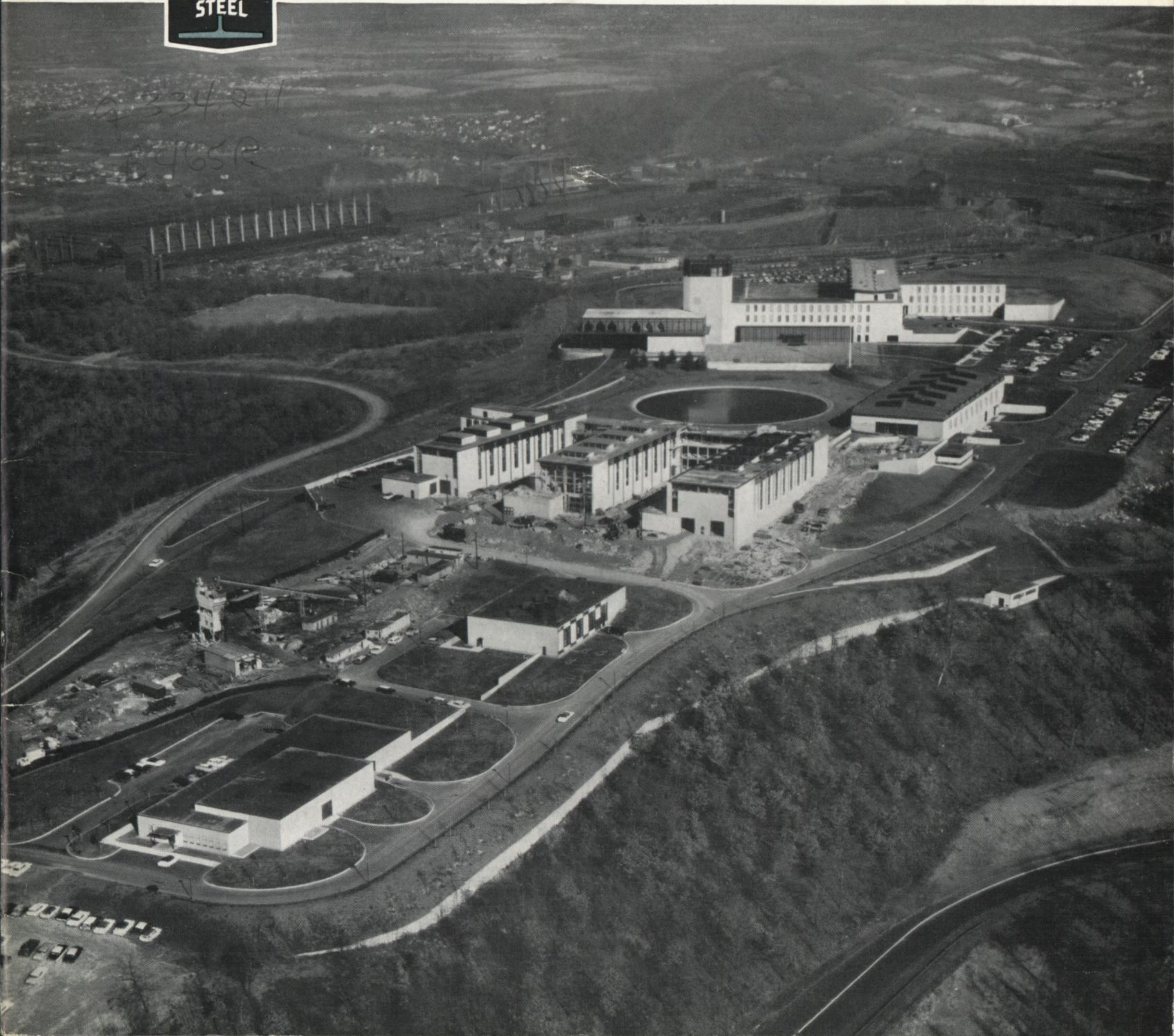
1961

# BETHLEHEM STEEL CORPORATION

# Annual Report

for year ending December 31, 1961

New Research Laboratories, Bethlehem, Pennsylvania



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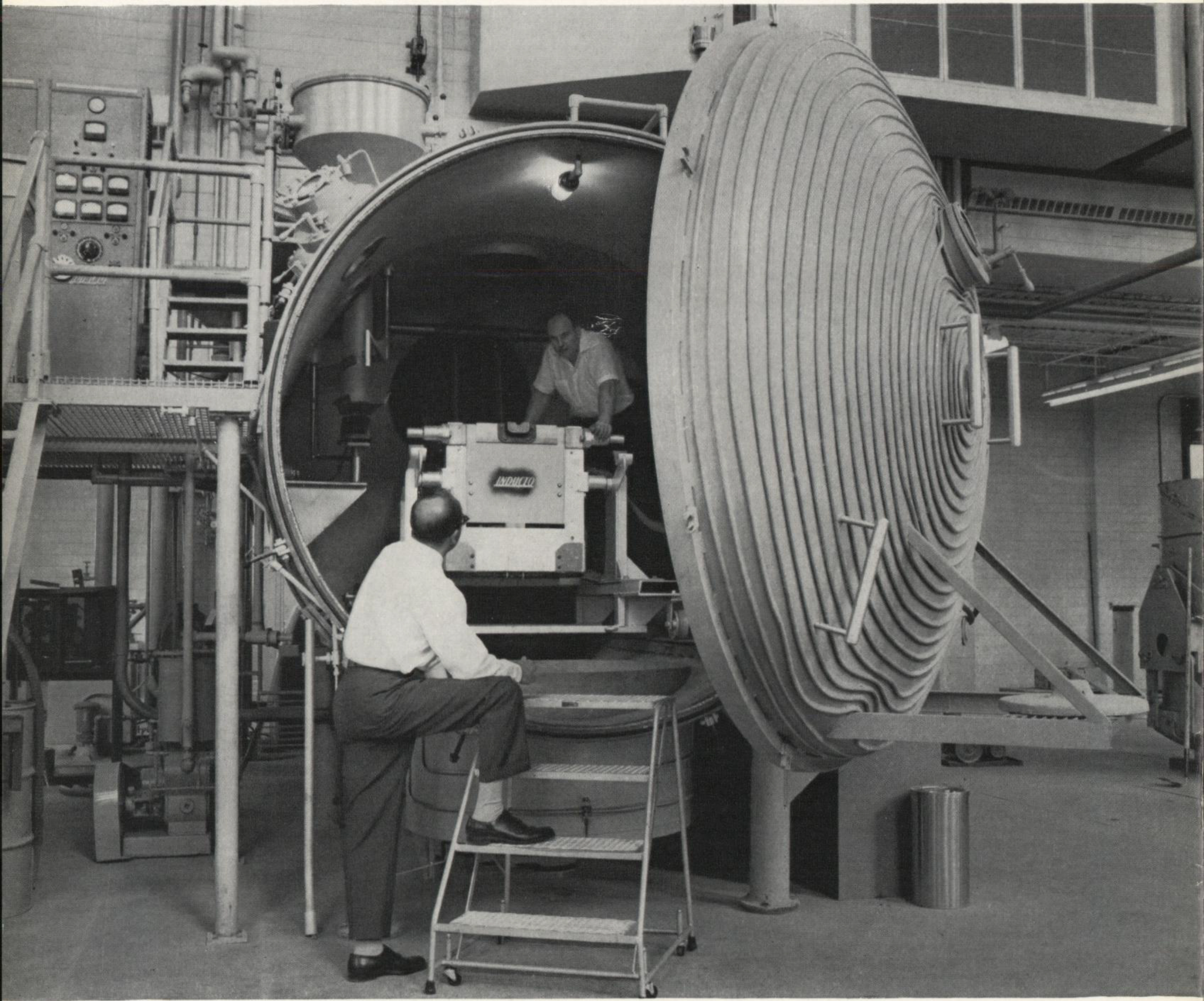

Experimental melting or casting, in vacuum or in controlled atmospheres, is performed in this apparatus at the Homer Research Laboratories.

# BETHLEHEM STEEL CORPORATION

# 1961 Annual Report

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Front Cover: An aerial photograph of Bethlehem's new Homer Research Laboratories, located on a mountaintop about five minutes away from the plant and General Offices in Bethlehem, Pennsylvania. Part of the plant can be seen in the background. The Laboratories are on a 1,000-acre site adjoining the Lehigh University campus.

# FINANCIAL AND OPERATING SUMMARY

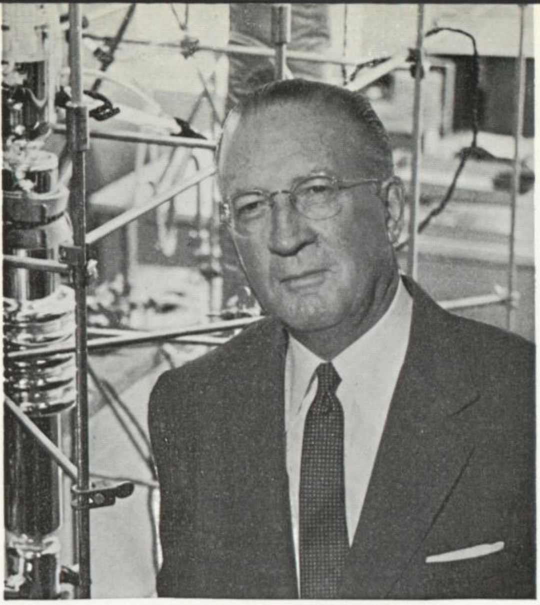
| | 1961 | 1960 |
|---|---|---|
| Net income—Amount | $ 122,357,028 | $ 121,179,549 |
| —Per dollar of total revenues | 5.9¢ | 5.5¢ |
| —Per share of Common Stock outstanding at year end | $2.54 | $2.52 |
| Dividends —Preferred Stock ($7 per share) | $ 6,537,209 | $ 6,537,209 |
| —Common Stock ($2.40 per share) | 109,206,055 | 109,156,147 |
| Preferred and Common stockholders at year end | 248,891 | 223,683 |

★ ★ ★ ★

| | 1961 | 1960 |
|---|---|---|
| Total revenues | $2,057,107,226 | $2,208,954,823 |
| Taxes—federal, state, local and foreign | 204,675,777 | 224,972,789 |
| Depreciation, amortization and depletion | 98,168,605 | 94,160,702 |
| Additions and improvements to wholly-owned properties: | | |
| Expenditures | 114,343,803 | 169,912,000 |
| Authorized at year end | 172,000,000 | 141,000,000 |
| Working capital at year end | 631,643,227 | 656,905,687 |
| Long-term debt at year end | 138,667,500 | 140,411,000 |

★ ★ ★ ★

| | 1961 | 1960 |
|---|---|---|
| Steel production (net tons) | 14,944,305 | 15,941,104 |
| Shipments of steel products (net tons) | 10,044,529 | 11,418,713 |
| Orders on hand at year end | $ 810,000,000 | $ 652,000,000 |
| Monthly average number of employees (U. S.) | 126,045 | 138,344 |
| Payroll (U. S.) | $ 823,096,888 | $ 858,333,417 |
| Average earnings per hour (U. S.) | $3.569 | $3.414 |



A. B. Homer

# THE YEAR IN REVIEW

### *by the Chairman*

The financial and operating statistics set forth on the opposite page provide, in summary form, a comparison of the results for 1961 with those for 1960.

## Income and Dividends

The consolidated net income for 1961 was $122,357,028, equivalent to $2.54 per share on the shares of Common Stock outstanding at the end of the year, after deducting dividends on the Preferred Stock.

Regular quarterly dividends on the Seven Per Cent. Cumulative Preferred Stock were paid on January 3, April 1, July 1 and October 2, 1961, and dividends of 60 cents per share on the Common Stock were paid on March 1, June 1, September 1 and December 1, 1961.

## General Business

Bethlehem produced 14,944,305 net tons of ingots during 1961, as compared with 15,941,104 net tons during 1960.

A number of major forces were operating during the year to reduce the volume of production. First, a low level of general business activity during the first half of the year. Second, inventory reduction by consumers of steel, which decreased steel purchases below actual consumption. Third, a trend towards economy in weight and cost of steel used by consumers, illustrated by the development of compact cars, thin tinplate for cans, lighter structural beams, alloy steels and coated steels. Fourth, imports of steel greater than exports.

This decreased demand for steel caused a reduction in operations in the first quarter of 1961 to the lowest level of many years, from which, however, there was gradual improvement as the year progressed.

Reduced demand, increased labor costs, price reductions in some important products and the lack of any price increase in basic steel products since 1958 have combined to cause a great pressure on profit margins.

Accordingly, 1961 was a year of great adjustment and change, requiring a marshalling of counter forces to compensate for the effects of these inroads into steel markets and profits.

Such inroads, so far as Bethlehem is concerned, were met during the year with increasingly effective action. Cost reductions and operating efficiencies have resulted from rapid advances in technology implemented by continued large investment in new and more efficient facilities. Current technological advances in both products and processes are the brightest part of the steel picture today and are based fundamentally on organized research. The dedication on October 9, 1961, of our new Research Laboratories symbolized Bethlehem's increased effort in this direction. This was such a significant event that we have devoted a special section of this report to this subject.

We have confidence in the ability of Bethlehem to combat the current competitive forces and to continue its long time historical growth. This confidence is based on certain fundamental factors. The most important one is people—the existence of a large group of devoted, energetic and ambitious employees, well trained in all phases of Bethlehem's activities and anxious and able to go forward. A second one is the nature of steel. It is the most versatile, the most abundant and the cheapest of all metals. It can be made soft enough to be scratched with a pen knife or so hard that only a diamond can mark it. It can be formed into almost any shape. It can be coated with other metals or with plastics. It can be alloyed to acquire hundreds of different combinations of specially desired characteristics—very high strength, ductility, machinability, durability or high resistance to corrosion or to extreme temperatures. A third factor is this: Bethlehem and the industry generally have been devoting a very large part of their energies and resources to two major problems of the post-war period, namely, a complete reconstitution of the sources of raw materials (mention is made later on of Bethlehem's activities in this area) and the constant increasing of steelmaking capacity to meet the world's growing demands. Raw materials and steelmaking capacity are now capable of meeting any foreseeable demands. Our efforts can now be concentrated on improvement in the quality and adaptability of steel products and on the utilization of new processes in all stages of operations. Another factor underlying our confidence is that Bethlehem has maintained its pre-eminent position of financial strength. Our cash position is strong and our long-term debt is low.

Although Bethlehem is well organized and prepared to meet the forces and developments of the coming years, all the efforts of our people and all our materials and resources cannot provide the entire answer. Wise and cooperative decisions by organized labor and public officials will be necessary if we are to have in this country greater industrial stability and sustained economic growth.

## Shipbuilding

Bethlehem's Shipbuilding Division, with its Central Technical Department at Quincy, Massachusetts, achieved several notable "firsts" during the year. It delivered the nation's first nuclear powered surface warship, the cruiser *USS Long Beach*, and launched the largest merchant ship ever built in an American shipyard, the 106,500 ton supertanker *Manhattan*. The Division also received the company's first contract to construct a nuclear powered submarine. In 1962 the Quincy Yard will deliver a second nuclear powered warship, the frigate *USS Bainbridge*.

## Property Expenditures

Expenditures during 1961 for additions and improvements to properties (including investments and advances for additions and improvements to properties of subsidiaries not consolidated and 50% or less owned mining enterprises) amounted to \$144,971,984, as compared with expenditures of \$181,975,028 for those purposes in 1960. The estimated cost of completing additions and improvements authorized at December 31, 1961 (including investments and advances authorized at that date for the foregoing purposes), is \$231,000,000.

Some of the major additions completed during the year were a block of soaking pits, improvements to the 56-inch hot strip mill and a continuous annealing line at the Sparrows Point Plant and a battery of coke ovens and a slabbing mill at the Lackawanna Plant. At the Sparrows Point, Lackawanna and Johnstown Plants facilities were installed to increase the use of oxygen in iron and steel production.

Additions authorized but uncompleted at the year end include, at the Sparrows Point Plant, a shipping wharf and a cold reduction mill, a coil preparation line and a Halogen plating line to produce a new light weight tin plate known as Duo-Bethcolite; a continuous galvanizing line at the Lackawanna Plant; a merchant bar mill and a continuous specialty bar mill at the Johnstown Plant.

In Bethlehem, Pennsylvania, construction

continued throughout 1961 on further research facilities and on an accounting and engineering office building, which it is expected will be ready for occupancy next month.

## Raw Materials

Bethlehem's policy with respect to its principal raw materials, iron and manganese ore, coal and limestone, is to be self-sufficient in quantity, to have the best in quality and to diversify its sources so as to suit its consuming plant locations as well as to minimize operating interruptions due to local political or other causes. Recent years have witnessed not only the acquisition of interests in new iron ore, coal, limestone and manganese deposits, but also the increasing use in blast furnaces of prepared high-grade materials. This has resulted in greater pig iron production at a lower cost per ton.

By entering, either alone or with others, into new mining ventures in Pennsylvania, Missouri and Minnesota, and in Canada, Venezuela, Chile and Liberia, Bethlehem has obtained additional sources of strategically located iron ore.

To realize the advantages of a high-grade blast furnace burden, Bethlehem has stressed the beneficiation of iron ores, whenever possible, to improve their quality. Low-grade ores have been concentrated and pelletized, and high-grade ores have been screened to separate the lump ore from the fines, which have then been sintered. Pelletizing plants were completed at Lebanon, Pennsylvania, in 1950, at Marmora, Ontario, in 1955, and at the Grace Mine in Pennsylvania in 1961, and by Erie Mining Company (in which we have a 45% interest) in Minnesota in 1957. Similar plants are expected to be in production at Cornwall, Pennsylvania, in March, 1962, at the Meramec Mine in Missouri (in which Bethlehem has a 50% interest) in the summer of 1963 and at Carol Lake, Labrador (from which Bethlehem will have approximately 30% of the pellet production), in the spring of 1963. Sintering strands are in operation at the Sparrows Point, Lackawanna, Bethlehem and Johnstown Plants. Soon, therefore, practically all the ore for our blast furnaces will be a high-grade burden, and we will ourselves be providing substantially all our ore requirements for both blast and open-hearth furnaces.

During the last decade, Bethlehem has acquired large additional reserves of high quality coal in Kentucky and West Virginia. Coal operations are constantly being improved. In 1961, cleaning plants and other facilities were installed at several of the West Virginia mines. A new central cleaning plant and a new mine with extensive rail facilities are being built in one of our Pennsylvania coal divisions. Coal mining costs generally are being lowered through mechanization of equipment and improvements in methods. The coal produced is and will be of such high quality as to result in reduced costs in coke oven and blast furnace operations.

After an extensive geological investigation, Bethlehem has acquired substantial reserves of both blast furnace and open-hearth limestone in Pennsylvania and West Virginia. At West Hanover, near Gettysburg, Pennsylvania, a new facility has been constructed and will be in production in March, 1962. This facility, which will produce over 4,000,000 tons of stone per year, will supply a flux of more uniform composition and size, as well as a sand needed for the production of self-fluxing sinter.

By its participation in the development of high quality manganese deposits in Amapa, Brazil, and in Autlan, Mexico, Bethlehem, which formerly purchased manganese ore for its ferro-manganese furnace operations, is now

able not only to supply all its own requirements but to offer some ore for sale.

The realization of all these raw material developments has required years of planning and construction and large capital investment. We now have adequate reserves for many years to come, strategically located in relation to our consuming steel plants, and our mines are ready with modern mechanized equipment which will permit the production of large quantities of the highest quality materials on schedules which can be adjusted in accordance with demand.

## Depreciation

The provision for depreciation, amortization and depletion amounted to $98,168,605 in 1961, as compared with $94,160,702 in 1960. The 1961 amount includes a provision for amortization of emergency facilities under the Internal Revenue Code of $12,195,754, as compared with $15,000,000 in 1960. More favorable depreciation allowances, or other allowances for new facilities, for tax purposes, now under consideration by our government, would assist us considerably in improving facilities and in competing against foreign steelmakers, who have had the benefit of very liberal tax and depreciation policies.

## Employment Costs

Bethlehem's total employment costs amounted to $912,979,939 in 1961, which included not only wage and salary payments but also the so-called fringe benefits such as social security, pensions, pay for vacations and holidays, supplemental unemployment benefits, sickness and accident insurance, life insurance and hospitalization and surgical benefits. On October 1, 1961, under the terms of the labor agreement signed in January, 1960, the thirteenth wage rate increase since World War II went into effect at the steel plants and fabricating works. This, plus certain changes in fringe benefits, resulted in an increase in employment costs of about 12 cents per hour.

* * * * *

Improving our profit margin, increasing our volume of production and continuing our growth are Bethlehem's clear-cut objectives. All phases of the company's activities are directed to these ends. Constant and continuing improvements in both products and processes, increased operating efficiency and improved marketing policies and services are the means to these ends.

A distinct upward note marks the beginning of 1962—in great contrast to a year ago—promising a high level of business for the first half of the year. We must bear in mind, however, that some of the orders we are now receiving are not for current consumption but for inventory building as security against a possible interruption of operations next summer. Our labor agreement with the United Steelworkers expires on June 30, 1962. Any interruption in work in this promising year of 1962 would be against the best interests of the country. All concerned must try their utmost to find effective ways of reaching labor accord.

A B Homer

*Chairman*

February 21, 1962.

## *Research:*

# A CHALLENGE AND AN OPPORTUNITY

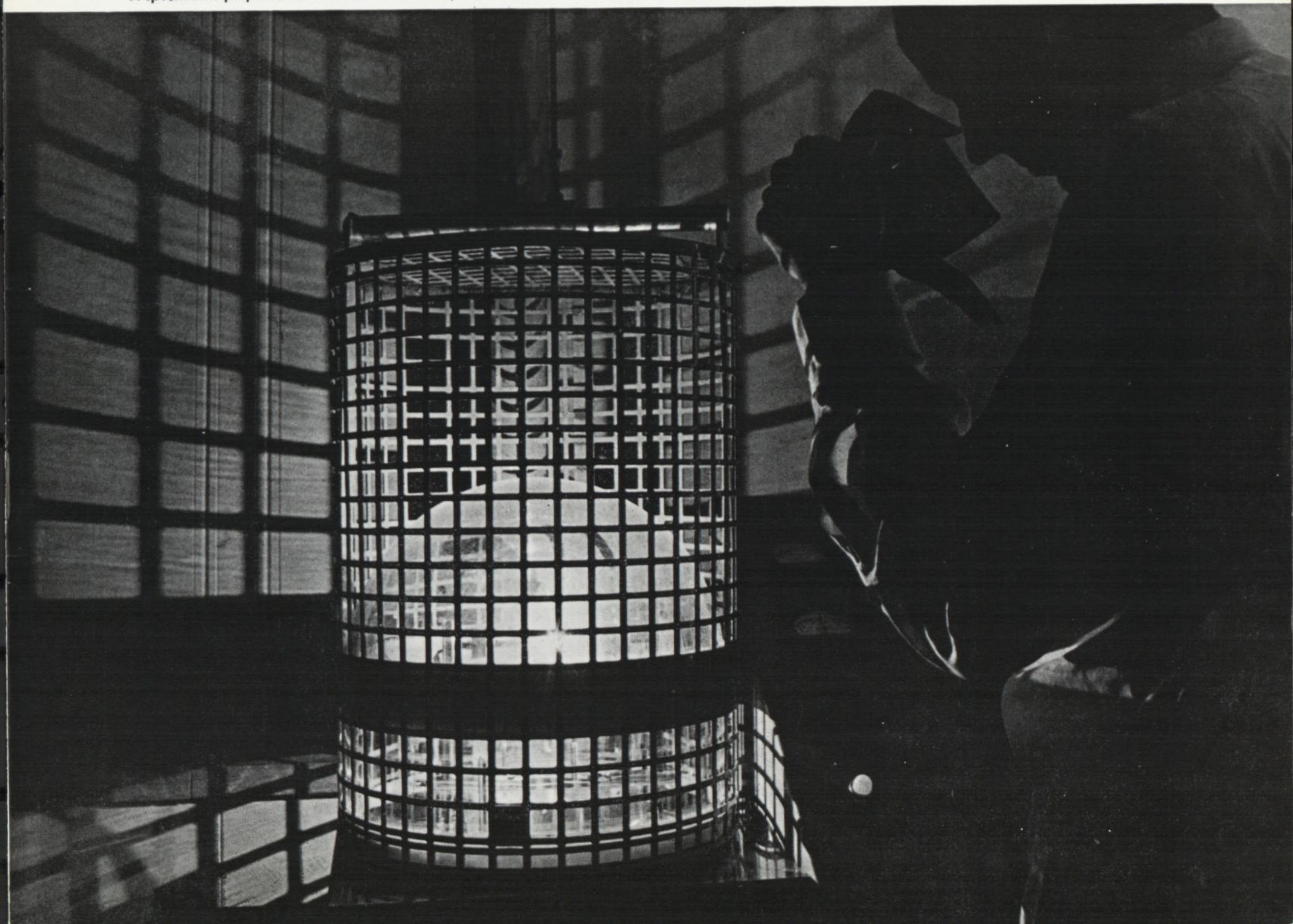
In the continual quest for improved products and technological advances, Bethlehem has been carrying on research for many years. To retain its commanding position in technology, the company has recently stepped up its research activities on all fronts, and provided its scientists with the facilities of the new Homer Research Laboratories.

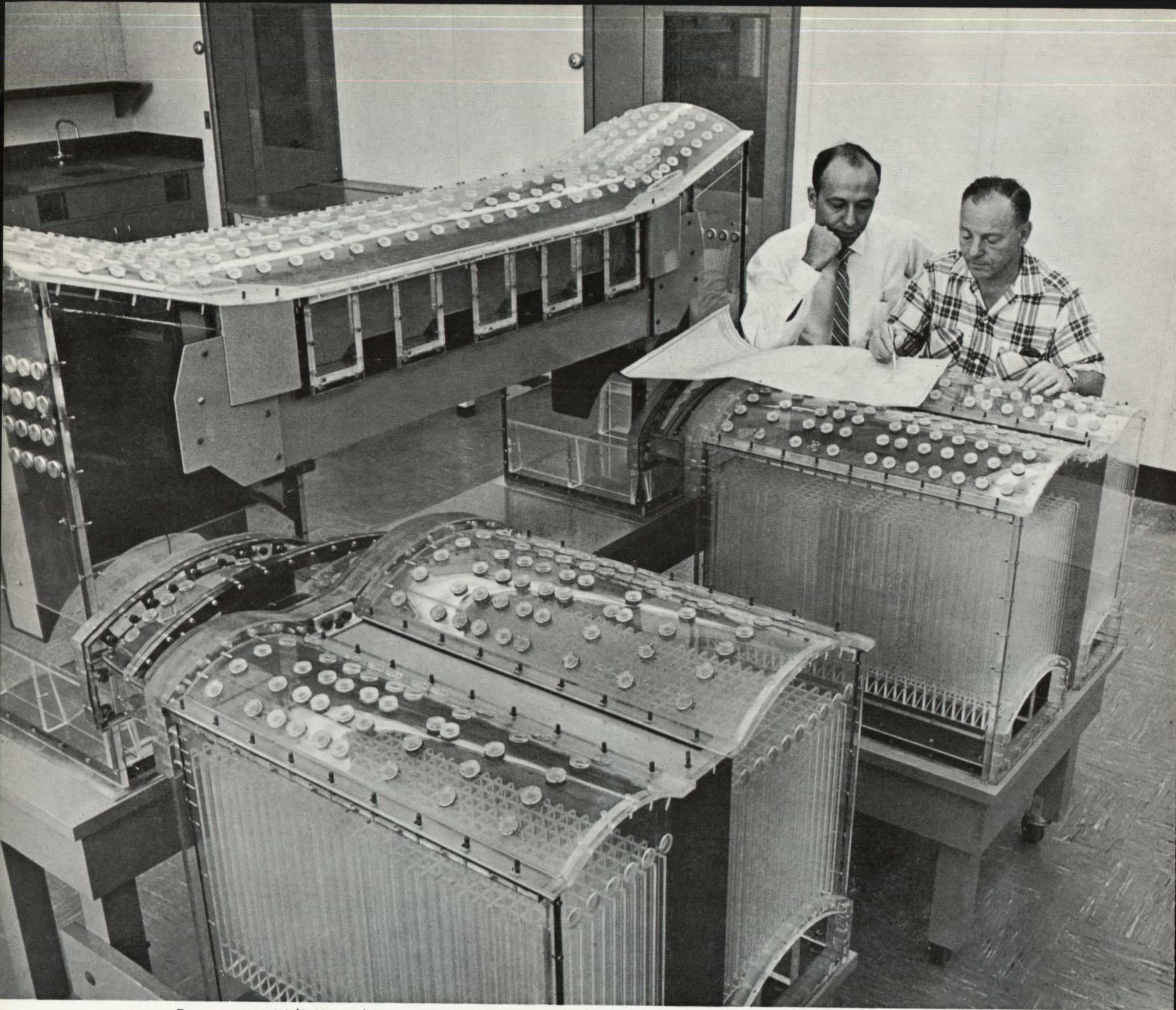
Dedicated on October 9, 1961, the Homer Research Laboratories are located on a mountaintop site overlooking the company's third-largest steelmaking plant and the City of Bethlehem. Named for Arthur B. Homer, Bethlehem's Chairman and chief executive officer, the Laboratories owe their inception to Mr. Homer's long-standing interest in all phases of steel technology.

### Superb Facilities

The new Laboratories bring together in one location research activities formerly carried on in more than a dozen different locations.

A specimen is prepared for the electron microscope in the physical metallurgy division.





Transparent model (1:12 scale) of a 300-ton open-hearth furnace allows process metallurgists to study gas flow.

Here are spacious and advanced facilities for research in process metallurgy, chemical engineering, mechanical engineering, ceramics, physical metallurgy, chemistry, physics and mechanics. Also included are a services division, a technical information division and staffs to evaluate projects and design products.

## Long History of Accomplishment

Research has always been conducted by Bethlehem and a formal program began in 1926 with the establishment of a Development and Research Department.

Two important early technological advances at Bethlehem were the development of high-speed tool steel and of wide-flange structural shapes. High-speed tool steel paved the way for the age of mechanization, while the wide-flange structural shape helped to make today's towering skyscrapers economically feasible.

After the beginning of a formal research

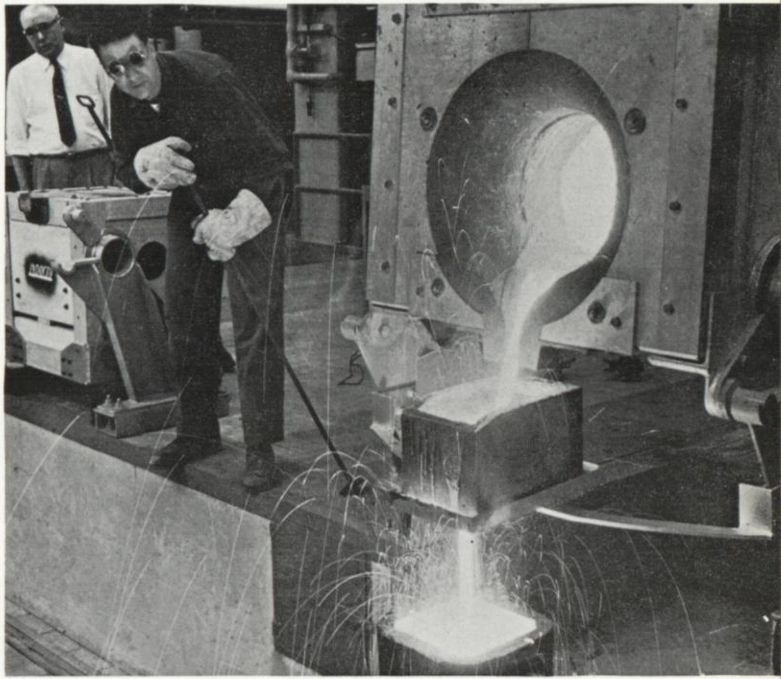
Bethlehem pioneered in the development of vacuum-degassed ingots for large, highly-stressed forgings.

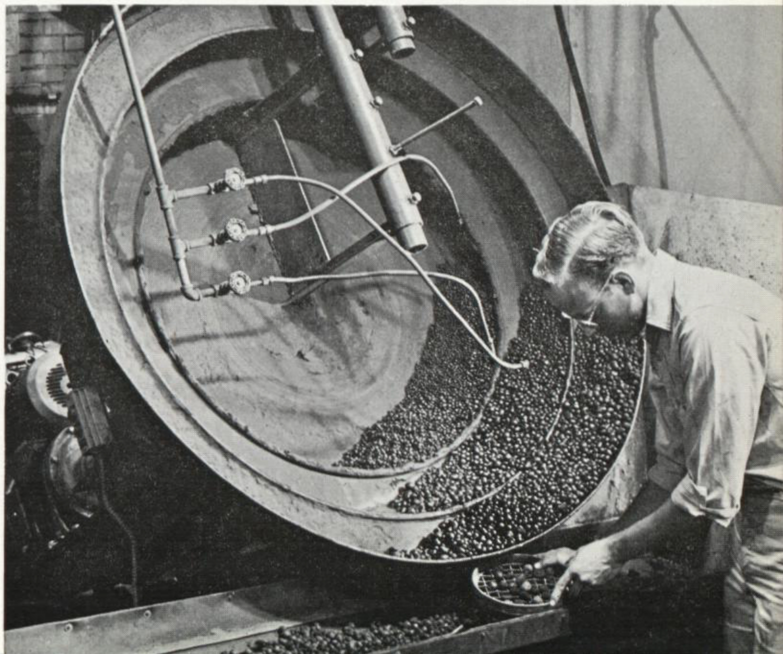
program, a number of important developments came rapidly. Controlled cooling of railroad rails made possible safer and faster rail travel with high axle loads. Electrolytic coatings for wire and tin plate greatly increased the utility of these products. Production of free-machining steels of Bessemer grades in the open-hearth furnace both improved the quality and lowered the costs of such steels. Spectrographic analysis of steel in the open-hearth furnace vastly improved quality and reduced production time.

## The Challenge of the Future

Keeping Bethlehem competitive in all its many markets requires the combined efforts of the entire organization. But it is to research in general and the Homer Research Laboratories in particular that Bethlehem looks for new and more efficient ways of making steel, as well as for new products and improvements to existing steel products. Already entirely new products have been developed to utilize steel's great strength, economy, and versatility.

The Homer Research Laboratories have been planned and equipped so that Bethlehem will continue to develop the technology essential to its growth and prosperity.


Pouring an experimental melt of 300 pounds of steel.


This experimental disc pelletizer forms fine-grained ores into pellets for further processing into material suitable for blast furnace feed.

# CONSOLIDATED BALANCE SHEET

| ASSETS | December 31, 1961 | December 31, 1960 |
|---|---|---|
| **Current Assets:** | | |
| Cash | $ 94,400,577 | $ 127,888,379 |
| Marketable securities, at cost (which approximates market): | | |
| U. S. Government | 140,265,051 | 144,459,766 |
| Other | 192,925,786 | 206,160,456 |
| Receivables—less allowance for doubtful accounts | 203,911,927 | 152,563,567 |
| Inventories (Note A and page 14) | 409,026,434 | 419,900,740 |
| **Total Current Assets** | $1,040,529,775 | $1,050,972,908 |
| **Other Assets:** | | |
| Investments in subsidiaries not consolidated and 50% or less owned mining enterprises (Note B) | 219,209,011 | 204,528,515 |
| Miscellaneous investments and receivables | 50,297,253 | 38,482,588 |
| Property, plant and equipment, at cost—less depreciation and amortization (page 14) | 992,295,956 | 980,301,292 |
| Discount on sale of bonds and debentures | 615,188 | 671,864 |
| **Total** | $2,302,947,183 | $2,274,957,167 |

| LIABILITIES, RESERVES, CAPITAL STOCK AND SURPLUS | December 31, 1961 | December 31, 1960 |
|---|---|---|
| **Current Liabilities:** | | |
| Accounts payable | $ 93,681,854 | $ 89,536,540 |
| Accrued taxes | 212,014,163 | 207,143,939 |
| Accrued employment costs, interest and other liabilities | 101,556,229 | 95,752,440 |
| Dividends on Preferred Stock payable January 2, 1962, and January 3, 1961 | 1,634,302 | 1,634,302 |
| **Total Current Liabilities** | $ 408,886,548 | $ 394,067,221 |
| **Other Liabilities and Reserves:** | | |
| Long-term debt (page 15) | 138,667,500 | 140,411,000 |
| Accrued liabilities payable after one year (Note B) | 68,600,000 | 61,300,000 |
| Insurance reserve | 30,000,000 | 30,000,000 |
| **Total Liabilities and Reserves** | $ 646,154,048 | $ 625,778,221 |
| **Capital Stock and Surplus:** | | |
| Seven Per Cent. Cumulative Preferred Stock (page 15) | $ 93,388,700 | $ 93,388,700 |
| Common Stock (page 15) | 556,950,570 | 555,950,145 |
| Earned surplus | 1,006,453,865 | 999,840,101 |
| **Total Capital Stock and Surplus** | $1,656,793,135 | $1,649,178,946 |
| **Total** | $2,302,947,183 | $2,274,957,167 |

# CONSOLIDATED STATEMENT OF INCOME AND SURPLUS

| | 1961 | 1960 |
|---|---|---|
| Revenues: | | |
| Net billings for products and services | $2,033,925,670 | $2,178,120,164 |
| Interest, dividends and other income | 23,181,556 | 30,834,659 |
| Total Revenues | $2,057,107,226 | $2,208,954,823 |
| Costs: | | |
| Employment costs: | | |
| Wages and salaries | $ 814,645,426 | $ 852,360,708 |
| Pensions (Note C) | 13,246,329 | 14,186,261 |
| Social security taxes and other employee benefits | 85,088,184 | 79,185,450 |
| | $ 912,979,939 | $ 945,732,419 |
| Materials, supplies, freight and services | 750,796,347 | 856,512,620 |
| Interest and other charges | 3,989,413 | 3,576,599 |
| Provisions for: | | |
| Depreciation, amortization and depletion | 98,168,605 | 94,160,702 |
| State, local and foreign taxes | 40,815,894 | 57,792,934 |
| Federal income taxes (Note B) | 128,000,000 | 130,000,000 |
| Total Costs | $1,934,750,198 | $2,087,775,274 |
| **Net Income** | $ 122,357,028 | $ 121,179,549 |
| **Balance of Earned Surplus, January 1** | 999,840,101 | 994,353,908 |
| Total | $1,122,197,129 | $1,115,533,457 |
| Dividends paid or payable on Preferred Stock—$7 per share | $ 6,537,209 | $ 6,537,209 |
| Dividends paid on Common Stock—$2.40 per share | 109,206,055 | 109,156,147 |
| Total | $ 115,743,264 | $ 115,693,356 |
| **Balance of Earned Surplus, December 31** | $1,006,453,865 | $ 999,840,101 |

# NOTES TO

## A. INVENTORIES:

Except in the case of contract work in progress, inventories were valued at the lower of cost or market. The last-in, first-out method, which was adopted as of January 1, 1947, was used in determining cost in respect of approximately 72% in value of the total inventories at December 31, 1961, including certain materials entering into the cost of contract work in progress. Cost in respect of the remainder of such inventories was determined under the first-in, first-out method or, in the case of certain raw materials, under the average season cost method. At December 31, 1961, the amount of the inventories that were valued by the use of the last-in, first-out method was substantially less than the replacement cost of such inventories at that date.

## B. INVESTMENTS IN 50% OR LESS OWNED MINING ENTERPRISES:

The investments in mining enterprises include 45% of the outstanding capital stock of Erie Mining Company and $120,453,000 (out of a total of $267,984,000), principal amount, of its outstanding First Mortgage Bonds due in 1983. The Corporation is entitled to receive its proportionate share based on stock ownership (45%) of the taconite pellets produced by Erie and is committed to pay its proportionate share of all Erie's costs, including depletion, depreciation and obsolescence in an amount in each year not less than the sinking fund requirements for Erie's outstanding bonds. A substantial part of the expenditures for the Erie project is subject to amortization under the provisions of the Internal Revenue Code and the Corporation deducts from its income in computing its Federal income taxes its proportionate share of such amortization. In the foregoing financial statements such amortization has not been deducted from income but there has been deducted from income in 1961 a provision for future Federal income taxes in the amount of $7,500,000, which is equal to the current reduction in Federal income taxes resulting from the deduction of such amortization in computing such taxes. Such provision and the corresponding provisions made in earlier years commencing with 1954 have been credited to accrued liabilities payable after one year and aggregate $54,100,000 at December 31, 1961.

## C. PENSIONS:

To provide for pensions under the Pension Plan of Bethlehem Steel Corporation and Subsidiary Companies, there is charged against current earnings in each year an amount (which is paid into the Pension Trust Fund and is based on actuarial rates determined by an independent actuary) at least equal to the estimated current service cost, plus interest on the unfunded past service cost, less the amount provided in the Fund by the net gain on the disposition of investments by the Fund during the preceding year. At January 1, 1960, when the present method of funding and accounting for pensions was adopted, the unfunded past service cost was estimated by the independent actuary to be $285,000,000, of which amount $280,000,000 remained unfunded at December 31, 1961. Current earnings are also charged in each year with the amounts of payments made by certain companies directly to or for the benefit of their pensioners.

The amounts charged against current earnings for pensions in 1961 and 1960 were determined as follows:

| | 1961 | 1960 |
|---|---|---|
| Current service cost and interest on unfunded past service cost | $18,350,768 | $19,845,926 |
| Funding of a portion of past service cost | 5,000,000 | — |
| Total | $23,350,768 | $19,845,926 |
| Less amount provided in Pension Trust Fund by the net gain on disposition of investments during the preceding year | 11,093,123 | 6,130,183 |
| Paid into Pension Trust Fund | $12,257,645 | $13,715,743 |
| Other pension payments | 988,684 | 470,518 |
| Total charge to current earnings | $13,246,329 | $14,186,261 |

Pension Trust Fund statements are shown on pages 16 and 17.

## D. STOCK OPTION PLAN:

The Stock Option Plan of the Corporation, which was approved by its stockholders in 1957, provides for the granting to certain employees, including executives who are directors, during each of five "plan years" (ending on August 31 in the years 1958 through 1962), of options to purchase up to a maximum of 500,000 shares of the Common Stock of the Corporation. The plan further provides that, if an option terminates without having been exercised in full, the unpurchased shares covered thereby shall be added to the shares otherwise available for options thereafter granted. The term of the options is 10 years from the date of granting, subject to earlier termination as provided in the plan. An option is not exercisable prior to the expiration of the first six months of its term.

The following table shows the shares covered by options that have been granted pursuant to the plan and, during 1961, the shares purchased under options and the shares covered by options terminated. In each case the purchase price per share was at least 95% of the fair market value of the Common Stock on the date on which the option was granted. At December 31, 1961, 1,798,970 authorized but unissued shares were reserved for options, including those outstanding.

| | Options Granted Sept., 1957 | Options Granted Jan., 1959 | Options Granted Apr., 1960 | Options Granted Apr., 1961 |
|---|---|---|---|---|
| Employees receiving options | 298 | 306 | 299 | 297 |
| Option price per share | $43 | $51 | $44 | $45 |
| Shares originally covered by options | 413,600 | 328,700 | 388,100 | 288,300 |
| Shares | | | | |
| Covered by options, January 1, 1961 | 280,920 | 298,100 | 377,600 | — |
| Purchased under options in 1961 | 13,950 | — | 6,100 | — |
| Covered by options terminated in 1961 | 15,400 | 24,800 | 19,700 | 17,300 |
| Covered by options, December 31, 1961 | 251,570 | 273,300 | 351,800 | 271,000 |

## OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

PRICE WATERHOUSE & CO.

56 Pine Street
New York 5, N. Y.

February 21, 1962

To the Board of Directors and Stockholders of
Bethlehem Steel Corporation:

In our opinion, the accompanying statements (pages 10 through 15) present fairly the consolidated financial position of Bethlehem Steel Corporation and its subsidiaries consolidated at December 31, 1961 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

## PROPERTY, PLANT AND EQUIPMENT

| | December 31, 1961 | December 31, 1960 |
|---|---|---|
| **Property, Plant and Equipment** | | |
| Steel producing, shipbuilding and ship repair, fabricating and miscellaneous properties | $2,100,341,760 | $2,022,364,783 |
| Raw material properties (after deducting depletion) | 289,114,081 | 277,232,497 |
| Transportation properties | 107,472,792 | 110,981,450 |
| Total | $2,496,928,633 | $2,410,578,730 |
| **Depreciation and Amortization** | | |
| Steel producing, shipbuilding and ship repair, fabricating and miscellaneous properties | $1,323,597,591 | $1,252,637,739 |
| Raw material properties | 119,515,391 | 115,429,675 |
| Transportation properties | 61,519,695 | 62,210,024 |
| Total | $1,504,632,677 | $1,430,277,438 |
| Net | $ 992,295,956 | $ 980,301,292 |

## INVENTORIES

| | December 31, 1961 | December 31, 1960 |
|---|---|---|
| Ore, fluxes, fuel and coal chemicals | $ 111,750,428 | $143,550,152 |
| Pig iron, alloys, scrap and manufacturing supplies | 84,014,059 | 85,117,458 |
| Finished and semi-finished products | 125,446,328 | 97,640,120 |
| Cost, less billings, under uncompleted contracts (adjusted for estimated partial profits or losses) | 87,815,619 | 93,593,010 |
| Total (Note A) | $ 409,026,434 | $419,900,740 |

## LONG-TERM DEBT

| | Outstanding December 31, 1961 |
|---|---|
| Consolidated Mortgage Bonds of Bethlehem Steel Corporation: | |
| Twenty-Five Year Sinking Fund 2¾% Bonds, Series I. Due July 15, 1970<br>(Required to be retired through Sinking Fund: $1,500,000, annually, 1962 to 1969, inclusive) | $ 57,500,000 |
| Thirty-Year Sinking Fund 2¾% Bonds, Series J. Due November 15, 1976<br>(Required to be retired through Sinking Fund: $1,000,000, annually, 1962 to 1975, inclusive) | 28,733,000 |
| Thirty-Year Sinking Fund 3% Bonds, Series K. Due January 1, 1979<br>(Required to be retired through Sinking Fund: $1,000,000, annually, 1962 to 1978, inclusive) | 36,400,000 |
| 3¼% Twenty-five-Year Debentures of Bethlehem Steel Corporation. Due May 1, 1980<br>(Convertible into shares of Common Stock through May 1, 1965) | 15,169,500 |
| Purchase-money Mortgage Six Per Cent. Bonds of Bethlehem Steel Company. Due August 1, 1998 (Assumed by Bethlehem Steel Corporation) | 865,000 |
| Total | $ 138,667,500 |

The foregoing table does not include (i) Notes of Bethlehem Steel Company in the aggregate principal amount of $131,500,000, which were payable to the order of Bethlehem Steel Corporation and were guaranteed by it as to principal and interest and pledged by it under the above-mentioned Consolidated Mortgage or (ii) the following principal amounts of Consolidated Mortgage Bonds owned by the Corporation: Series I Bonds, $4,000,000; Series J Bonds, $2,267,000; and Series K Bonds, $2,600,000. Such bonds owned by the Corporation are available for Sinking Fund requirements.

## CAPITAL STOCK

| | | Outstanding December 31, 1961 |
|---|---|---|
| Seven Per Cent. Cumulative Preferred Stock—$100 par value (not callable): | | |
| Authorized—1,000,000 shares, of which 933,887 are issued and outstanding | | $ 93,388,700 |
| Common Stock—$8 par value: | | |
| Authorized—80,000,000 shares, of which 606,780 shares are reserved for conversion of 3¼% Twenty-five-Year Debentures, 1,798,970 shares are reserved for exercise of options pursuant to Stock Option Plan (Note D) and 45,511,078 shares are issued and outstanding | | 556,950,570 |
| Issued and outstanding, December 31, 1960, 45,487,528 shares | $555,950,145 | |
| Issued 3,500 shares during 1961 upon conversion of $87,500, principal amount, of 3¼% Twenty-five-Year Debentures at a conversion price per share of $25, principal amount, of Debentures and $12.50 in cash through May 1, 1961, and $13.75 in cash thereafter | 132,175 | |
| Issued 20,050 shares during 1961 upon exercise of options granted pursuant to Stock Option Plan (13,950 shares at $43 per share and 6,100 shares at $44 per share) | 868,250 | |
| Issued and outstanding, December 31, 1961, 45,511,078 shares | $ 556,950,570 | |
| Total | | $ 650,339,270 |

## PENSION TRUST FUND OF BETHLEHEM STEEL

| STATEMENT OF ASSETS | December 31, 1961 | December 31, 1960 |
|---|---|---|
| **Investments, at cost:** | | |
| Short-term U. S. Government and corporate obligations | $ 38,486,712 | $ 29,193,603 |
| Other U. S. Government securities | — | 8,637,625 |
| Other bonds, notes and obligations: | | |
| Domestic corporate | 52,623,494 | 43,075,806 |
| Other | 9,427,351 | 8,913,377 |
| Preferred Stocks | 9,996,349 | 11,121,463 |
| Common Stocks: | | |
| Industrial | 140,931,843 | 130,893,719 |
| Public utility | 47,748,970 | 43,905,087 |
| Bank, finance and insurance | 24,781,684 | 17,846,113 |
| **Cash and accrued interest receivable** | 913,618 | 1,678,583 |
| Total Assets | $324,910,021 | $295,265,376 |

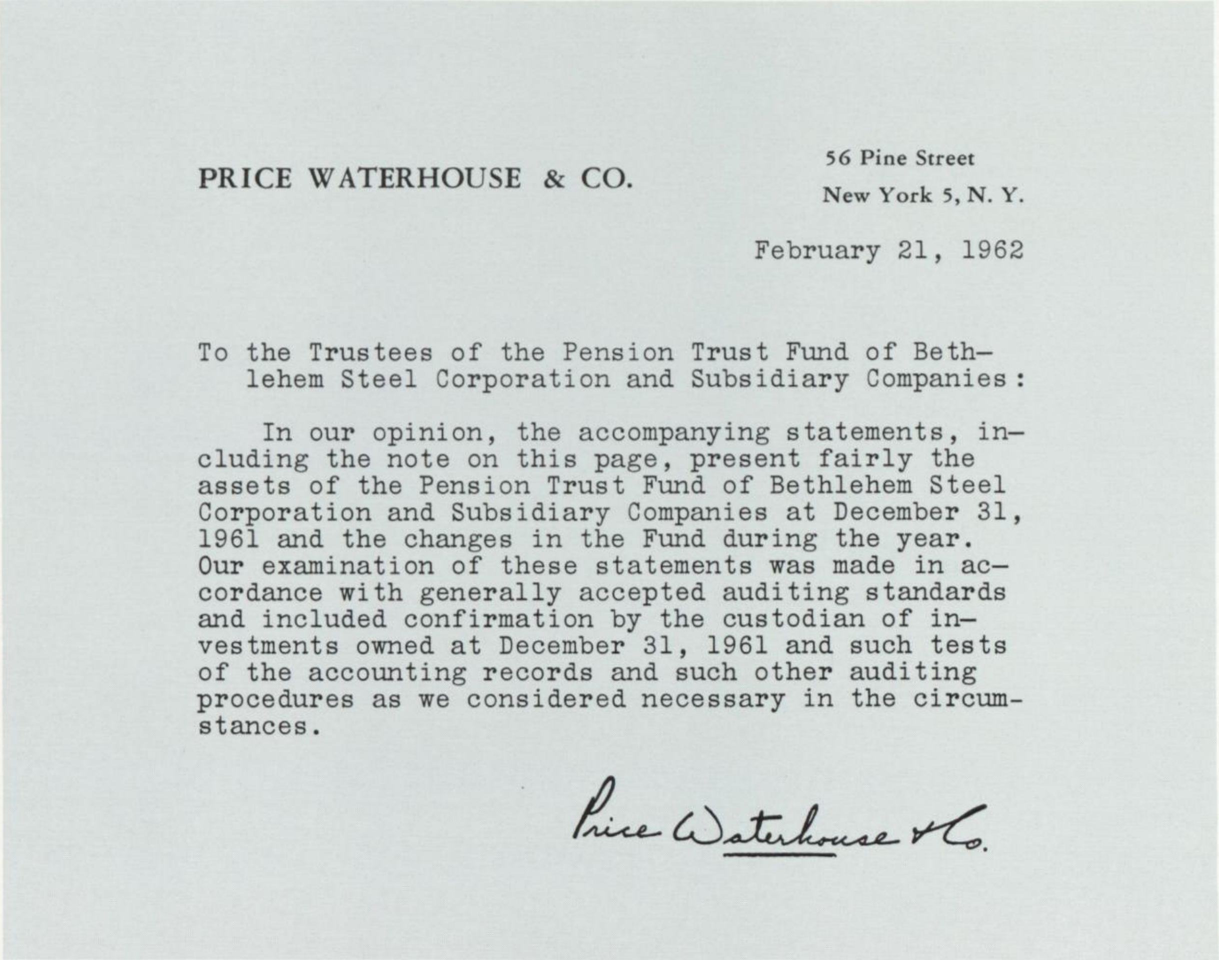
| STATEMENT OF CHANGES IN FUND | 1961 | 1960 |
|---|---|---|
| **Balance in Fund, January 1** | $295,265,376 | $272,393,195 |
| **Additions:** | | |
| Received from employing company | 12,257,645 | 13,715,743 |
| Income from investments | 13,804,116 | 13,018,822 |
| Net gain on disposition of investments | 21,985,372 | 11,093,123 |
| Total | $343,312,509 | $310,220,883 |
| **Deduction: Pension payments** | 18,402,488 | 14,955,507 |
| **Balance in Fund, December 31** | $324,910,021 | $295,265,376 |

## CORPORATION AND SUBSIDIARY COMPANIES

The Pension Trust Fund is not the property of Bethlehem Steel Corporation or of its subsidiary companies and it is therefore not included in the consolidated financial statements.

The total assets were substantially in excess of the estimated amount which will be required for the payment of pensions that were granted on or before December 31, 1961. The aggregate market value of the total investments in the Fund is substantially more than the cost thereof.

At December 31, 1961, the total number of pensioners, including pensioners receiving directly from their former employers payments which are not provided for in the Pension Trust Fund and co-pensioners receiving payments under survivor options, was 14,804.



PRICE WATERHOUSE & CO.
56 Pine Street
New York 5, N. Y.

February 21, 1962

To the Trustees of the Pension Trust Fund of Bethlehem Steel Corporation and Subsidiary Companies:

In our opinion, the accompanying statements, including the note on this page, present fairly the assets of the Pension Trust Fund of Bethlehem Steel Corporation and Subsidiary Companies at December 31, 1961 and the changes in the Fund during the year. Our examination of these statements was made in accordance with generally accepted auditing standards and included confirmation by the custodian of investments owned at December 31, 1961 and such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

## CONSOLIDATED FINANCIAL

| Year | Total Revenues | Employment Costs | Materials and Services | Depreciation, Amortization and Depletion | Taxes (Excluding Social Security Taxes) | Interest and Other Charges | Net Income (as per Annual Reports) | Net Income per Dollar of Total Revenues | Cash Dividends | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Preferred Stock | Common Stock |
| 1940 | $ 603.1 | $ 218.1 | $ 267.9 | $ 29.2 | $ 31.6 | $ 7.6 | $ 48.7 | 8.1¢ | $6.8 | $ 14.9 |
| 1941 | 962.2 | 375.6 | 408.3 | 43.0 | 94.8 | 6.0 | 34.5 | 3.6 | 6.5 | 17.9 |
| 1942 | 1,497.7 | 668.0 | 605.3 | 38.8 | 150.9 | 9.3 | 25.4 | 1.7 | 6.5 | 17.9 |
| 1943 | 1,906.2 | 926.6 | 746.1 | 55.3 | 140.4 | 5.7 | 32.1 | 1.7 | 6.5 | 17.9 |
| 1944 | 1,750.4 | 880.0 | 660.1 | 54.2 | 113.0 | 6.9 | 36.2 | 2.1 | 6.5 | 17.9 |
| 1945 | 1,329.5 | 652.1 | 533.0 | 75.4 | 19.8 | 14.3 | 34.9 | 2.6 | 6.5 | 17.9 |
| 1946 | 791.7 | 397.4 | 305.8 | 21.3 | 22.9 | 2.6 | 41.7 | 5.3 | 6.5 | 17.9 |
| 1947 | 1,034.9 | 428.0 | 484.0 | 25.5 | 42.4 | 3.9 | 51.1 | 4.9 | 6.5 | 17.9 |
| 1948 | 1,315.2 | 506.1 | 612.3 | 30.2 | 71.4 | 4.9 | 90.3 | 6.9 | 6.5 | 21.5 |
| 1949 | 1,271.0 | 477.4 | 573.3 | 33.0 | 82.7 | 5.3 | 99.3 | 7.8 | 6.5 | 23.0 |
| 1950 | 1,445.4 | 534.7 | 605.4 | 35.7 | 141.6 | 5.0 | 123.0 | 8.5 | 6.5 | 39.3 |
| 1951 | 1,799.5 | 664.6 | 788.3 | 45.9 | 188.0 | 6.2 | 106.5 | 5.9 | 6.5 | 38.3 |
| 1952 | 1,701.5 | 658.5 | 797.2 | 54.5 | 86.6 | 13.8 | 90.9 | 5.3 | 6.5 | 38.3 |
| 1953 | 2,094.9 | 780.6 | 905.4 | 73.7 | 190.7 | 10.6 | 133.9 | 6.4 | 6.5 | 38.3 |
| 1954 | 1,667.4 | 657.7 | 631.6 | 92.9 | 145.5 | 6.9 | 132.8 | 8.0 | 6.5 | 55.1 |
| 1955 | 2,114.6 | 779.8 | 830.4 | 102.6 | 213.0 | 8.6 | 180.2 | 8.5 | 6.5 | 69.5 |
| 1956 | 2,343.5 | 860.5 | 1,026.9 | 102.4 | 182.0 | 10.3 | 161.4 | 6.9 | 6.5 | 82.4 |
| 1957 | 2,624.9 | 1,000.7 | 1,099.3 | 110.6 | 215.6 | 7.7 | 191.0 | 7.3 | 6.5 | 105.3 |
| 1958 | 2,024.3 | 857.7 | 745.5 | 108.7 | 168.2 | 6.5 | 137.7 | 6.8 | 6.5 | 107.5 |
| 1959 | 2,079.1 | 860.0 | 830.1 | 97.6 | 170.0 | 4.2 | 117.2 | 5.6 | 6.5 | 108.8 |
| 1960 | 2,209.0 | 945.7 | 856.5 | 94.2 | 187.8 | 3.6 | 121.2 | 5.5 | 6.5 | 109.2 |
| 1961 | 2,057.1 | 913.0 | 750.8 | 98.1 | 168.8 | 4.0 | 122.4 | 5.9 | 6.5 | 109.2 |

*Dollars in Millions*
(Except Average Earnings per Hour)

## AND OPERATING DATA

| | | | | | U. S. Employees | | | |
|---|---|---|---|---|---|---|---|---|
| Preferred and Common Stockholders | Additions, Improvements and Acquisitions | Long-term Debt | Ingots and Castings Produced (Net Tons) | Steel Products Shipped (Net Tons) | Monthly Average Number | Payroll | Average Earnings per Hour | Year |
| 70,836 | $ 30.0 | $177.2 | 10,705,000 | 7,663,000 | 118,439 | $212.2 | $ .941 | 1940 |
| 71,418 | 42.2 | 173.2 | 12,155,000 | 8,972,000 | 165,678 | 364.4 | 1.070 | 1941 |
| 72,020 | 31.8 | 162.2 | 12,452,000 | 8,922,000 | 238,272 | 646.3 | 1.217 | 1942 |
| 73,485 | 48.3 | 156.5 | 13,016,000 | 9,188,000 | 289,232 | 896.1 | 1.321 | 1943 |
| 75,147 | 9.7 | 162.7 | 13,262,000 | 9,461,000 | 260,481 | 852.3 | 1.384 | 1944 |
| 75,796 | 31.2 | 120.9 | 11,832,000 | 8,546,000 | 202,095 | 629.0 | 1.411 | 1945 |
| 77,228 | 64.4 | 125.8 | 10,012,000 | 7,285,000 | 143,732 | 386.9 | 1.510 | 1946 |
| 78,687 | 105.6 | 123.8 | 12,807,000 | 9,403,000 | 132,557 | 413.4 | 1.621 | 1947 |
| 85,501 | 83.2 | 121.8 | 13,411,000 | 9,993,000 | 144,670 | 489.8 | 1.745 | 1948 |
| 95,870 | 64.8 | 169.6 | 12,597,000 | 9,217,000 | 131,183 | 449.1 | 1.840 | 1949 |
| 96,204 | 84.5 | 166.1 | 15,116,000 | 10,933,000 | 136,146 | 487.9 | 1.881 | 1950 |
| 98,207 | 92.2 | 220.3 | 16,406,000 | 12,139,000 | 152,578 | 616.6 | 2.072 | 1951 |
| 102,833 | 140.0 | 298.3 | 14,116,000 | 10,291,000 | 153,357 | 623.8 | 2.255 | 1952 |
| 104,803 | 120.1 | 154.9 | 17,663,000 | 12,713,000 | 157,380 | 722.0 | 2.386 | 1953 |
| 100,549 | 77.1 | 152.2 | 13,810,000 | 10,227,000 | 135,784 | 603.5 | 2.471 | 1954 |
| 101,408 | 98.5 | 336.9 | 18,821,000 | 13,554,000 | 144,853 | 717.9 | 2.592 | 1955 |
| 107,881 | 211.6 | 278.6 | 18,322,000 | 13,199,000 | 150,126 | 796.2 | 2.771 | 1956 |
| 161,890 | 209.0 | 171.2 | 19,123,000 | 13,536,000 | 164,859 | 934.7 | 2.982 | 1957 |
| 186,727 | 91.4 | 159.9 | 13,393,000 | 9,686,000 | 140,474 | 798.5 | 3.226 | 1958 |
| 201,703 | 86.7 | 149.5 | 14,257,000 | 10,268,000 | 126,874 | 781.8 | 3.453 | 1959 |
| 223,683 | 169.9 | 140.4 | 15,941,000 | 11,419,000 | 138,344 | 858.3 | 3.414 | 1960 |
| 248,891 | 114.3 | 138.7 | 14,944,000 | 10,045,000 | 126,045 | 823.1 | 3.569 | 1961 |

## FACILITIES

**Steel Plants:** Sparrows Point, Md. Lackawanna, N. Y. Bethlehem, Pa. Johnstown, Pa.
Steelton, Pa. Lebanon, Pa. Williamsport, Pa. Seattle, Wash.
So. San Francisco, Calif. Vernon (Los Angeles), Calif.

**Fabricating Works:** Alameda, Calif. Beaumont, Tex. Bethlehem, Pa.
Buffalo, N. Y. Chicago, Ill. Johnstown, Pa. Leetsdale, Pa.
Pottstown, Pa. Rankin, Pa. Seattle, Wash. So. San Francisco, Calif.
Steelton, Pa. Torrance, Calif.

**Shipbuilding and Ship Repair Yards:** Baltimore, Md. Beaumont, Tex.
East Boston, Mass. Hoboken, N. J. Quincy, Mass.
San Francisco, Calif. Sparrows Point, Md. Terminal Island (San Pedro), Calif.

**Other Manufacturing Units:** Anderson, S. C. Baltimore, Md. Boston, Mass.
Buffalo, N. Y. Charlotte, N. C. Clearing, Ill. Detroit, Mich.
Dunellen, N. J. Elizabeth, N. J. Fairfield, Md. Hallandale (Miami), Fla.
Jacksonville, Fla. Minneapolis, Minn. Ojus (Miami), Fla. Philadelphia, Pa.
Raleigh, N. C. Richmond, Va. Romulus, Mich. Staten Island, N. Y.

## PRINCIPAL

Albany, N. Y.; Atlanta, Ga.; Baltimore, Md.; Bethlehem, Pa.; Boston, Mass.; Buffalo, N. Y.; Chicago, Ill.; Cincinnati, Ohio; Cleveland, Ohio; Columbus, Ohio; Dallas, Texas; Dayton, Ohio; Detroit, Mich.; Greensboro, N. C.; Honolulu, Hawaii; Houston, Texas; Indianapolis, Ind.; Jacksonville, Fla.; Johnstown, Pa.; Los Angeles, Calif.; Milwaukee, Wis.; New Haven, Conn.; New York, N. Y.; Philadelphia, Pa.; Phoenix, Arizona; Pittsburgh,

## PRODUCTS

Hot Rolled Sheets, Cold Rolled Sheets, Galvanized Sheets—Carbon and Low Alloy . Bethnamel Enameling Sheets . Wide Flange Structural Sections . American Standard Beams, Angles and Channels . Sheared and Universal Mill Plates—Carbon and Alloy . Flanged and Dished Heads . Electrolytic Tin Plate . Hot-Dip Tin Plate . Black Plate . Hot-Rolled Carbon and Alloy Steel Bars—Standard and Special Section . Steel Blooms, Billets and Slabs—Carbon and Alloy . Cold Finished Alloy Steel Bars . Wire Rods . Manufacturers' Wire—Bright, Galvanized, Bethanized and Aluminized . Nails, Staples, Barbed Wire, Bale Ties and Automatic Baling Wire . Concrete Reinforcing Bars . Cold Formed Shapes . Sheet Piling . H-Piles . Continuous Butt-Weld Pipe . Electric Resistance Welded Pipe . Rails, Tie Plates and Joint Bars . Tool Steels and Specialty Steels

Steel Bridges, Buildings and Other Fabricated Structures of all kinds . Ships, Ship Repairs, Ship Machinery and Equipment . Tanks and Pressure Vessels . Oil and Gas Transmission Line Pipe . Large Diameter Water Pipe and Penstocks . Galvanized Power Transmission Towers . Fabricated Reinforcing Bars . Steel Joists . Highway Guard Rails . Frog and Switch Material and Prefabricated Special Trackwork . Freight Cars, Mine Cars and Car Parts . Wheels and Axles for Railway and Industrial Equipment

Bolts, Nuts, Rivets, Spikes and Other Industrial Fasteners . Mine Roof Supports . Sucker Rods . Wire Rope . Bethanized, Galvanized and Aluminized Strand . Stress-Relieved Strand . Wire Rope Slings and Spliced Products . Ferro-Manganese . Coal Chemicals—including Tar, Benzene, Toluene, Xylene and Ammonium Sulphate . Forgings—Press, Hammer, Drop and Circular . Hardened Steel Rolls . Ordnance . Steel and Iron Castings . Ingot Moulds and Stools . Tunnel Segments . Iron Ore and Manganese Ore . Stone and Slag

## SALES OFFICES

Pa.; Portland, Ore.; Providence, R. I.; Richmond, Va.; Salt Lake City, Utah; San Francisco, Calif.; Seattle, Wash.; Spokane, Wash ; Springfield, Mass.; St. Louis, Mo.; St. Paul, Minn.; Syracuse, N. Y.; Toledo, Ohio; Tulsa, Okla.; Washington, D. C.; York, Pa.; Buenos Aires, Argentina; Caracas, Venezuela; London, England; Manila, Philippines; Mexico City, Mexico; Montreal, Canada; Rio de Janeiro, Brazil; Santiago, Chile; Sao Paulo, Brazil; Toronto, Canada.

# BETHLEHEM STEEL

## DIRECTORS

Russell K. Branscom
Bernard D. Broeker
Frank R. Brugler
Paul B. Entrekin
Arthur B. Homer
Jesse V. Honeycutt
Francis M. Huffman
John E. Jacobs
William H. Johnstone
Paul S. Killian
Edmund F. Martin
Arthur F. Peterson
Talbot Shelton
Ivor D. Sims
A. James Slater
Daniel D. Strohmeier
Charles H. H. Weikel

## OFFICERS

| | |
|---|---|
| Arthur B. Homer | Chairman |
| Edmund F. Martin | President |
| William H. Johnstone | Vice-President |
| Donald W. Baird | Treasurer |
| Bernard D. Broeker | Secretary |
| Frank R. Brugler | Comptroller |

# CORPORATION

### GENERAL COUNSEL

Cravath, Swaine & Moore,
New York City

### INDEPENDENT PUBLIC ACCOUNTANTS

Price Waterhouse & Co.,
New York City

### REGISTRAR OF STOCK

Morgan Guaranty Trust
Company of New York,
New York City

### STOCK TRANSFER DEPARTMENT

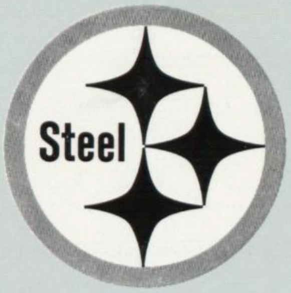
25 Broadway, New York City

## BETHLEHEM STEEL COMPANY

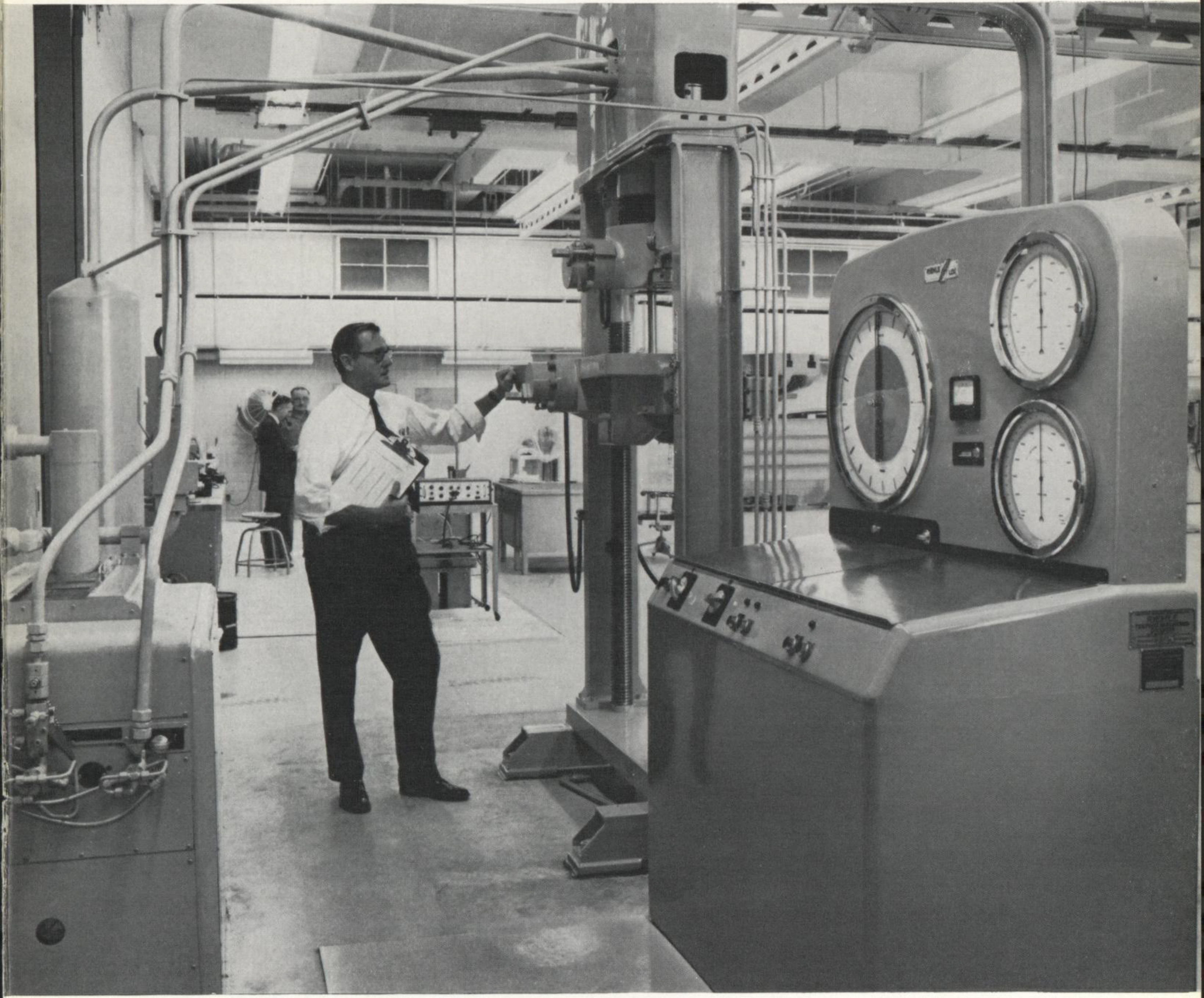
(*Principal Operating Subsidiary*)
General Offices: Bethlehem, Pa.

### PRINCIPAL OFFICERS

A. B. Homer, Chairman
E. F. Martin, President
R. K. Branscom, Vice-President, Industrial and Public Relations
S. S. Cort, Vice-President, Pacific Coast Division
J. V. Honeycutt, Vice-President, Sales
F. M. Huffman, Vice-President, Traffic
J. E. Jacobs, Vice-President, Steel Operations
W. H. Johnstone, Vice-President, Financial and Legal
P. S. Killian, Vice-President, Purchasing
A. F. Peterson, Vice-President, Mining
A. J. Slater, Vice-President
D. D. Strohmeier, Vice-President, Shipbuilding
C. H. H. Weikel, Vice-President, Research
B. D. Broeker, Secretary
F. R. Brugler, Comptroller
E. W. Morris, Treasurer



The STEELMARK is the symbol selected by the American steel industry to help create in the minds of consumers an awareness of and a preference for products made of steel. Nearly one-third of all steel produced in the United States goes into consumer products. Bethlehem cooperates fully in this program, and all Bethlehem advertising carries the Steelmark.



Product testing in the Research Laboratories.

BETHLEHEM
STEEL